

## Executive Summary

*“The Marine Corps is a combat force-not a business. To be successful, however, we need to support warfighting excellence with well-managed business processes that are both effective and efficient.”*

M.W. Hagee

33<sup>rd</sup> Commandant, United States Marine Corps



The Marine Corps mission is to provide trained and equipped forces to Combatant Commanders in support of the President's National Security Strategy. The Commandant, in exercising his Title X responsibilities, must balance scarce resources to provide relevant and ready forces. The purpose of financial management is to provide the Commandant and supporting leadership with accurate, timely, and relevant financial information to support warfighting excellence and balance requirements and programs within the Marine Corps. Financial management goals include improving fund management efficiency by maximizing and distributing fund resources; reducing interest costs resulting from processing delays; and by reducing administrative and non-direct costs.

To this end, the Marine Corps has made improvements to their financial environment and condition by assigning accountability and responsibility throughout standardized processes, environmental and compensating internal controls, and system processing.

Some of the financial management initiatives include:

- Implemented interfaces with BEA target systems
- Completed JFMIP/FSIO testing of core accounting systems (SABRS)
- Implemented and maintained the SABRS core financial system
- SABRS is SFIS compliant and interfaced with BEIS/DDRS
- Developed and implemented performance reports and metrics
- Implemented automated Tri-Annual review process
- Re-established Internal Review functions within Comptroller's offices
- Implemented Cost of War Collection and Reporting
- Implemented data standardization for Installations and Operating Forces
- Developed a USMC website that houses the single authoritative source of information, procedures, policies, and guidance to field activities
- Designed and developed monthly and quarterly financial statement compilation processes

These financial management initiatives have assisted the Marine Corps in achieving the following milestones:

- Reduced DFAS bill by \$3M in FY07 and \$6M in FY08
- Improved obligation validation process resulting in less than 1% requiring redistribution compared to 5% in FY05
- Produced a 70% reduction in interest penalty cost from FY 04 to FY 06
- Produced a 60% reduction in interest paid from FY 04 to FY 06

These improvements along with others attribute to the Marine Corps commitment and determination in achieving financial accountability.

### Purpose and Scope

The purpose of this Financial Statement Compilation package is to present the documented "As Is" state of the Financial Statement Compilation process. This package will reflect that the Marine Corps and DFAS are endeavoring to establish consistent and sustainable business processes that promote reporting of accurate, timely, and relevant financial information to Marine Corps leadership and external entities.

This package presents the Marine Corps processes, procedures, and key controls designed and used to compile the financial statements from the transaction level details resident in the core accounting system, the Standard Accounting, Budgeting and Reporting System (SABRS), through the Defense Departmental Reporting System (DDRS), to the presentation of the Marine Corps General Fund Financial Statements. For the purposes of this package, only the processes and procedures used to compile the Balance Sheet and Statement of Budgetary Resources are presented. This package is intended to present Marine Corps confidence in their own documented, sustained, and repeatable processes and procedures.

The scope of this package includes the business processes, procedures and systems that are utilized during the Financial Statement Compilation process. The processes and procedures documented are as of the period 10/01/07 through 12/31/07.

## **Reperformance Methodology**

In order to gain an understanding of the processes and procedures employed during the financial statement compilation process, re-performance efforts were performed to include inquiry, observation and analysis. The purpose of these tasks was to determine if the Financial Statement Compilation process was being performed in accordance to the documented operating procedures and to ascertain whether adequate supporting documentation was being maintained. The following tasks were performed on the FY 2008 Q1 financial statement process and underlying data. (Refer to Tab C for detailed procedures and results):

**Balance Sheet Reconciliation.** This task was performed to confirm that the Balance Sheet represents a compilation of the trial balance data contained in DDRS.

**DDRS-B Journal Voucher Analysis.** This task was performed to determine if data quality errors exist within the population of journal entries and other adjustments and to determine if appropriate supporting documentation exists for each journal voucher.

**Crosswalk Compliance Analysis.** This task was performed to determine if the DDRS Balance Sheet and SBR crosswalks comply with the Treasury Crosswalks.

**Trial Balance Reconciliation.** This task was performed to determine if the SABRS history files reconcile to the SABRS Trial Balance, also to determine if the SABRS Trial Balance reconciles to the DDRS-B Trial Balance and to determine if the DDRS-B Trial Balance reconciles to the DDRS-AFS Trial Balance.

**DDRS-AFS Reconciliation Process – Budgetary to Proprietary.** This task was performed to confirm that the budgetary to proprietary relationship exists within the final adjusted DDRS-AFS trial balance.

**Process Validation Checklist.** This checklist was created to confirm the procedures performed for USMC Financial Statement Compilation, and to identify the process owners, documentation maintained, and required approvals.

## **Concluding Comments**

The Financial Statement Compilation package that follows presents the ‘as-is’ state of the Marine Corps by first detailing the Marine Corps General Fund Reporting Entity (Tab A), next explaining the Financial Statement Compilation Segment and the procedures, processes and controls currently in place (Tab B), next the package explains the re-performance efforts, observations, and corrective actions (Tab C) and then introduces the reader to source documents used in those re-performance efforts (Tab D) the package also includes system documentation (Tab E) and audit reports (Tab F) , and lastly a remediation action plan to guide this effort (Tab G).

This package and the documentation contained within attempts to present the current state of the General Fund Financial Statement Compilation Process. It will highlight the steps that the Marine Corps has made towards achieving a seamless and consistent process and also present an awareness of limitations and areas of improvement.